

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

CARVANA, LLC,

Plaintiff,

v.

INTERNATIONAL BUSINESS
MACHINES CORPORATION,

Defendant.

Civ. No. 7:23-cv-08616 (KMK) (VR)

**PLAINTIFF AND COUNTERCLAIM DEFENDANT CARVANA, LLC'S
MOTION TO STAY PENDING *INTER PARTES* REVIEW**

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	LEGAL STANDARD.....	3
III.	ARGUMENT	6
A.	IPR2025-00564 Will Simplify the Issues in this Action.	6
1.	Courts Do Not Consider A Petition’s Merits in Evaluating Stay Motions	7
2.	IBM Ignores the New Prior Art Combinations Raised in Carvana’s Petition	8
3.	The Short Time Until the PTAB’s September 2025 Decision to Institute and Federal Circuit Decision Which Could Eliminate All '346 Issues from The Case Further Weigh in Favor of a Stay.....	9
B.	The Stage of These Proceedings Favors a Stay.	11
C.	A Stay Will Not Unduly Prejudice IBM.....	13
1.	IBM’s Eleven-Year Delay in Asserting the '719 Patent and Failure to Seek Preliminary Injunctive Relief Belies Any Possible Claim of Prejudice	14
2.	The Timing of Carvana’s IPR Petition and Request for a Stay Favor a Stay	15
3.	The Status of the Review Proceedings Favors a Stay	16
4.	IBM’s Status As A Patent Licensor, Failure to Directly Compete with Carvana and Expiration of the '719 Patent Further Favor Entry of a Stay	17
D.	The PTAB’s March 2025 Memorandum Does Not Warrant Denial of a Stay	20
IV.	CONCLUSION.....	21

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>ACQIS, LLC v. EMC Corp.</i> , 109 F. Supp. 3d 352 (D. Mass. 2015)	4, 16
<i>In re Appharvest Sec. Litig.</i> , 684 F. Supp. 3d 201 (S.D.N.Y. July 31, 2023)	13
<i>Assa Abloy AB v. CPC Patent Techs. Pty. Ltd.</i> , Civ. No. 3:22-cv-00694-MPS, ECF 55 (dated Nov. 30, 2022)	6, 7, 19
<i>Audio MPEG, Inc. v. Hewlett-Packard Co.</i> , Civ. No. 2:15-cv-73, 2015 WL 5567085 (E.D. Va. Sept. 21, 2015)	<i>passim</i>
<i>Bio-Rad Labs, Inc., v. Cal. Inst. of Tech.</i> , IPR2024-01451, 2025 Pat. App. LEXIS 1451, at *8 (P.T.A.B. Mar. 27, 2025)	21
<i>British Telcoms. PLC v. IAC/InterActive Corp.</i> , Civ. No. 18-366-WCB, 2020 WL 5517283 (D. Del. Sept. 11, 2020)	11
<i>Brulotte v. Thys Co.</i> , 379 U.S. 29 (1964)	19
<i>Canatelo LLC v. Axis Comms. AB</i> , Civ. No. 13-1227-GMS, 2014 WL 12774920 (D. Del. May 14, 2014)	8
<i>Chewy, Inc. v. IBM</i> , No. 21-CV-1319 (JSR), 2021 WL 3727227 (S.D.N.Y. Aug. 23, 2021)	11
<i>Deckers Outdoor Corp. v. Next Step Grp., Inc.</i> , No. 23-CV-2545 (ALC) (VF), 2024 WL 1077875 (S.D.N.Y. Feb. 29, 2024)	3, 7, 10, 20
<i>Dr. Squatch LLC v. The Proctor & Gamble Co.</i> , No. IPR2024-01498, 2025 Pat. App. LEXIS 1746, at *39 (P.T.A.B. Apr. 11, 2025)	9, 21
<i>Ebates Performance Mktg, Inc. dba Rakuten Rewards v. IBM</i> , IPR 2022-00646, 2023 Pat. App. LEXIS 3757 (P.T.A.B. Oct. 11, 2023)	9
<i>Evolutionary Intel., LLC v. Facebook, Inc.</i> , No. C 13-4202 SI, 2014 WL 261837 (N.D. Cal. Jan. 23, 2014)	19
<i>Evolutionary Intelligence LLC v. Yelp, Inc.</i> , No. C-13-03587 DMR, 2013 WL 6672451 (N.D. Cal. Dec. 18, 2013)	17

<i>Grecia v. MasterCard</i> , No. 16-cv-9691 (RJS), 2017 WL 11566955 (S.D.N.Y. Apr. 3, 2017)	13, 18
<i>IBM v. Zillow Group, Inc., Zillow Inc.</i> , Nos. 2024-1170 and 2024-1238 (Fed. Cir. 2024)	3
<i>Intell. Ventures II L.L.C. v. JP Morgan Chase & Co.</i> , No. 13 CIV. 3777 (AKH), 2014 WL 10919562 (S.D.N.Y. Aug. 11, 2014)	10, 11
<i>IOEngine, LLC v. PayPal Holdings, Inc.</i> , No. CV 18-452-WCB, 2019 WL 3943058 (D. Del. Aug. 21, 2019)	2
<i>Kiss Nail Prods., Inc. v. Tianjin Shuangrong Paper Prods. Co. Ltd. et al.</i> , Civ. No. 1:15-cv-06019 (KPF), ECF 68 (June 29, 2016)	13, 18
<i>Klein Tools, Inc. v. Milwaukee Elec. Tool Corp.</i> , No. IPR2024-01400, 2025 Pat. App. LEXIS 1693, at *78 (P.T.A.B. Apr. 8, 2025)	21
<i>Lexos Media IP LLC v. MSC Indus. Direct Co.</i> , No. 3:22-CV-1736-X, 2023 WL 11967299 (N.D. Tex. Sept. 6, 2023)	20
<i>Longitude Licensing Ltd. v. Apple Inc.</i> , Civ. No. 14-cv-04275-EDL, 2015 WL 12778777 (N.D. Cal. Oct. 29, 2015)	7, 8, 16, 17
<i>Molo Design, Ltd. v. Chanel, Inc.</i> , No. 21-CV-01578 (VEC), 2022 WL 2135628 (S.D.N.Y. May 2, 2022)	4, 16, 20
<i>Nanobebe United States Inc. v. Mayborn (UK) Ltd.</i> , No. 21-CV-08444 (JLR), 2023 WL 4993642 (S.D.N.Y. Aug. 4, 2023)	4, 16, 20
<i>Nespresso USA, Inc. v. K-Fee Sys.</i> No. CV 22-9295-GW-AGRX, 2024 WL 650431 (C.D. Cal. Jan. 16, 2024)	19
<i>Nike v. Lululemon USA Inc.</i> , No. 22-CV-00082 (RA) (OTW), 2023 WL 2214884 (S.D.N.Y. Feb. 24, 2023)	4
<i>Nike, Inc. v. Skechers U.S.A., Inc.</i> , No. CV 23-09346-AB, 2025 WL 439935 (C.D. Cal. Feb. 4, 2025)	2, 10, 11, 15
<i>Novartis Pharma AG v. Incyte Corp.</i> , No. 1:20-CV-400-GHW, 2025 WL 1030018 (S.D.N.Y. Apr. 6, 2025)	19
<i>OV Loop, Inc. v. Mastercard Inc.</i> , No. 23-CV-1773 (CS), 2023 WL 7905690 (S.D.N.Y. Nov. 16, 2023)	13, 14, 15, 17
<i>Pakage Apparel, Inc. v. Tommy John, Inc.</i> , No. 24-CV-6371 (LJL), 2024 WL 4117200 (S.D.N.Y. Sept. 9, 2024)	12, 17, 20

<i>PopSockets LLC v. Quest USA Corp.</i> , No. 17-CV-3653 (FB) (CLP), 2018 WL 5020172 (E.D.N.Y. Sep. 12, 2018).....	2
<i>Prestige Jewelry Int’l, Inc. v. BK Jewellery HK</i> , 11 Civ. 2930 (LBS), 2012 U.S. Dist. LEXIS 63850 (S.D.N.Y. Mar. 27, 2012)	19
<i>Prolitec Inc. v. ScentAir Techs., LLC</i> , No. CV 20-984-WCB, 2023 WL 5037173 (D. Del. Aug. 8, 2023).....	11
<i>Protegrity Corp. v. Epicor Software Corp.</i> , 67 F. Supp. 3d 555 (D. Conn. 2014).....	5, 14, 17
<i>Regents of the Univ. of Minn. v. LSI Corp.</i> , No. 5:18-CV-00821-EJD, 2018 WL 2183274 (N.D. Cal. May 11, 2018).....	5, 16, 18
<i>Rensselaer Polytechnical Inst. v. Apple Inc.</i> , No. 1:13-CV-0633 DEP, 2014 WL 201965 (N.D.N.Y. Jan. 15, 2014).....	5, 8
<i>Rovi Guides, Inc. v. Comcast Corp.</i> , No. 16-CV-9278 (JPO), 2017 WL 4876305 (S.D.N.Y. Oct. 27, 2017).....	<i>passim</i>
<i>Sorensen v. Lexar Media, Inc.</i> , No. C 08-00095 JW, 2009 WL 10695750 (N.D. Cal. Feb. 25, 2009)	18
<i>Sotera Wireless, Inc. v. Masimo Corp.</i> , IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020).....	1
<i>Straight Path IP Grp. v. Verizon Communs., Inc.</i> , No. 16-CV-4236 (AJN), 2016 WL 6094114 (S.D.N.Y. Oct. 18, 2016).....	18
<i>Synkloud Techs., LLC v. Cartessa Aesthetics, LLC</i> , Civ. No. 21-cv-4423, 2022 WL 1046261 (E.D.N.Y. Apr. 6, 2022)	5, 14, 15
<i>Touchstream Techs., Inc. v. Altice USA, Inc.</i> , Civ. No. 24-cv-3186 (GRB) (SIL), 2024 U.S. Dist. LEXIS 168590 (E.D.N.Y. Sept. 18, 2024)	4
<i>Ultratec, Inc. v. CaptionCall, LLC</i> , 611 F. App’x 720 (Fed. Cir. 2015)	12, 15
<i>In re Viasat, Inc.</i> , No. 2025-110, 2025 WL 227592 (Fed. Cir. Jan. 17, 2025)	12
<i>VirtualAgility Inc. v. Salesforce.com</i> , 759 F.3d 1307 (Fed. Cir. 2014).....	5, 8, 15
<i>Weserve Drone, LLC v. Sz Dji Tech. Co.</i> , No. CV 19-04382-AB (AFMx), 2020 WL 4373365 (C.D. Cal. Mar. 17, 2020).....	5, 8

<i>Wiesel v. Apple, Inc.</i> , Civ. No. 19-CV-7261 (JMA) (JMW), 2021 WL 5038764 (E.D.N.Y. Oct. 29, 2021)	17
--	----

<i>Wonderland Nurserygoods Co. v. Baby Trend, Inc.</i> , No. EDCV 14-01153-VAP, 2015 WL 1809309 (C.D. Cal. Apr. 20, 2015).....	16
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Statutes

35 U.S.C. § 103	9
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35 U.S.C. § 315(b)	4
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Other Authorities

Fed. R. Civ. P. 1	19, 20
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Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation, https://www.uspto.gov/sites/default/files/documents/InterimProcesses- PTABWorkloadMgmt-20250326.pdf	20
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TABLE OF EXHIBITS

Exhibit No.	Description
1	<i>Carvana, LLC v. IBM Corp., Inter Partes</i> Review No. IPR2025-00564, Petitioner's <i>Sotera</i> Stipulation (Exhibit 1015) (Jan. 31, 2025)
2	<i>Assa Abloy AB v. CPC Patent Techs. Pty. Ltd.</i> , Civ. No. 3:22-cv-00694-MPS (D. Conn.), ECF 55 (Nov. 30, 2022)
3	<i>Kiss Nail Prods., Inc. v. Tianjin Shuangrong Paper Prods. Co. Ltd. et al.</i> , Civ. No. 1:15-cv-06019 (KPF) (S.D.N.Y.), ECF 68 (June 29, 2016)
4	Form 10-K filed by Carvana with the United States Securities and Exchange Commission, produced as CARVANA0015874 (Mar. 6, 2018)
5	Principal Brief of Zillow Group, Inc. and Zillow, Inc. filed in the Court of Appeals for the Federal Circuit, Appeal Nos. 2024-1170 and 2024-1238 (June 20, 2024)
6	<i>Carvana, LLC v. IBM Corp.</i> , Civ. No. 7:23-cv-08616 (KMK)(VR) (S.D.N.Y.), Complaint for Declaratory Judgment, ECF 12 (Oct. 2, 2023)

I. INTRODUCTION

Carvana respectfully requests that the Court stay this action pending resolution of *inter partes* review in IPR2025-00564 (the “IPR”) concerning U.S. Patent-in-suit 7,702,719 (the “’719 Patent”) because a stay will simplify the issues before the Court and conserve its resources without prejudicing the parties. In the IPR petition, Carvana alleges that every claim of the ’719 Patent is invalid. And while the ’719 Patent has been the subject of one prior lawsuit by IBM, two of the three references relied upon by Carvana in the IPR consist of **new prior art**, which have never before been considered in any Patent Office or court proceeding concerning the ’719 Patent. Likewise, the IPR presents the first opportunity for PTAB to review the invalidity of this Patent.

As Carvana discusses more fully below, the key factors supporting a stay are present here, specifically the stay will: (i) allow simplification of the issues and serve judicial economy, (ii) occur at the appropriate stage of the proceedings, and (iii) not unduly prejudice IBM.

First, as to simplification of the issues before the Court, Carvana filed with PTAB a *Sotera*¹ stipulation stating that if PTAB institutes trial proceedings in the IPR on the grounds presented in Carvana’s petition, Carvana will not pursue such grounds here (including such grounds Carvana reasonably could have raised during the IPR). (*See* Ex. 1, Exhibit 1015 to IPR2025-00564). Thus, the grounds Carvana raises or could have raised in the IPR cannot be re-litigated here, and the IPR may well remove one third of the subject matter in this case. And PTAB’s determination may well dispense with all of the issues concerning the ’719 Patent as against Carvana and anyone else.

Second, the stage of these proceedings favors a stay. The Court has not yet construed disputed claim terms of the Patents-in-suit, no expert reports have been disclosed or exchanged,

¹ *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020) (“*Sotera*”).

nor will expert discovery begin until eighty days after this Court issues its *Markman* order (ECF 39, at 2 ¶ 7(a)). This Court has not set a trial date. Where, as here, much of the resource-consuming portions of the litigation have yet to occur, district courts consistently grant motions to stay. *See, e.g., Nike, Inc. v. Skechers U.S.A., Inc.*, No. CV 23-09346-AB (PVCX), 2025 WL 439935, at *2 (C.D. Cal. Feb. 4, 2025) (stay entered five months after *Markman* hearing held); *Rovi Guides, Inc. v. Comcast Corp.*, No. 16-CV-9278 (JPO), 2017 WL 4876305, at *3 (S.D.N.Y. Oct. 27, 2017) (stay entered where expert discovery had not closed); *PopSockets LLC v. Quest USA Corp.*, No. 17-CV-3653 (FB) (CLP), 2018 WL 5020172, at *3 (E.D.N.Y. Sep. 12, 2018), *report and recom. adopted*, No. 17-CV-3653 (FB) (CLP), 2018 WL 4660374 (E.D.N.Y. Sept. 28, 2018) (stay entered where no trial date had been set); *see also IOEngine, LLC v. PayPal Holdings, Inc.*, No. CV 18-452-WCB, 2019 WL 3943058, at *5 (D. Del. Aug. 21, 2019) (stay entered where trial preparation expenses remained.)

Third, IBM cannot show undue prejudice as to the stay because Carvana and IBM are not direct competitors, and IBM is a patent licensor of an expired patent. (ECF 143, hereafter “IBM Initial Oppos.” at 3). Courts have repeatedly held patent licensors “cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement.” *Rovi Guides Inc.*, 2017 WL 4876305, at *5. And here, the ’719 Patent expired in 2022, and thus can no longer be licensed or accrue additional damages during any stay. There exists “no need for an expeditious resolution of [the patentee’s] claim.” *Audio MPEG, Inc. v. Hewlett-Packard Co.*, Civ. No. 2:15-cv-73, 2015 WL 5567085, at *4 (E.D. Va. Sept. 21, 2015). This lack of need for “expeditious resolution” is well-evidenced by IBM’s own delay, whereby it waited eleven years from the publicly announced launch of Carvana’s accused (and very public) website to assert the ’719 Patent against “carvana.com,” and this applies to the other two Patents-in-suit as well, which issued in 2009, well

before the launch of the accused website.

Carvana also addresses below that a stay is further warranted because PTAB has already found unpatentable four asserted claims of the second patent asserted by IBM in this case—Claims 1, 12, 13, and 14 of U.S. Patent No. 7,631,346 (the “’346 Patent”), and the appeal of that result is close to completion at the Federal Circuit.² Third parties Zillow Group, Inc. and Zillow Inc. are further appealing PTAB’s decision that all of the remaining claims of the ’346 Patent (Claims 5–11, 17 and 20) *are* patentable, meaning that all claims of the ’346 Patent including those asserted by IBM in this case will be imminently decided on appeal. That decision, too, will further conserve this Court’s resources by potentially mooted most if not all of the ’346 issues here.

Carvana expects IBM to attack the merits of Carvana’s IPR petition and use a recent Patent Office memorandum to challenge Carvana’s petition as doomed for denial. But courts do not evaluate such issues in deciding a stay. If IBM takes this tack, Carvana will address such arguments in its Reply, and notes here that PTAB continues to institute IPRs where the petitions present new prior art and no trial date has been set in the underlying cases.

II. LEGAL STANDARD

Courts possess inherent power to stay an action pending *inter partes* review. *See Deckers Outdoor Corp. v. Next Step Grp., Inc.*, No. 23-CV-2545 (ALC)(VF), 2024 WL 1077875, at *1 (S.D.N.Y. Feb. 29, 2024). In deciding whether to grant a stay, courts consider: (1) whether a stay will simplify the issues in question and trial of the case; (2) the stage of the proceedings; and (3) whether a stay will prejudice the nonmoving party. *Id.* Further, in assessing potential prejudice, courts consider (1) the timing of the review request; (2) the timing of the stay request; (3) the status

² Federal Circuit Appeal Nos. 2024-1170 and 2024-1238 captioned *IBM v. Zillow Group, Inc., Zillow Inc.* are fully briefed with oral argument expected to occur in summer 2025.

of review proceedings; and (4) the relationship of the parties, including whether they directly compete. *See Molo Design, Ltd. v. Chanel, Inc.*, No. 21-CV-01578 (VEC), 2022 WL 2135628, at *4 (S.D.N.Y. May 2, 2022) (“[e]ven where a defendant continues to engage in allegedly infringing behavior . . . no[n]-competitors can be fully restored with monetary relief.”).

It is well established IPRs streamline patent validity analysis and focus patent enforcement litigation—thereby limiting costs for all parties and preserving judicial resources. *See Touchstream Techs., Inc. v. Altice USA, Inc.*, Civ. No. 24-cv-3186 (GRB) (SIL), 2024 U.S. Dist. LEXIS 168590, at *8 (E.D.N.Y. Sept. 18, 2024) (acknowledging “that the better course is to allow PTAB to apply its expertise . . . before considerable judicial resources are expended.”); *Nike v. Lululemon USA Inc.*, No. 22-cv-00082 (RA) (OTW), 2023 WL 2214884, at *1 (S.D.N.Y. Feb. 24, 2023) (same); *Molo Design, Ltd.*, 2022 WL 2135628, at *4 (noting that waiting for a PTAB decision is “on balance, prudent in light of the prospect of benefiting from the PTO’s unique expertise on a highly complex topic”) (citations omitted). This is true whether or not PTAB cancels any claims during the IPR proceeding. *See Rovi Guides, Inc.*, 2017 WL 4876305, at *3 (noting that “any of the conceivable potential outcomes of IPR will lead to a simplification of the present case”).

An IPR petition is timely if brought at any time within one year of the claim asserting the patent. *See* 35 U.S.C. § 315(b); *Molo Design, Ltd.*, 2022 WL 2135628, at *3 (stay entered where petition was filed nearly one year after filing of complaint); *Nanobebe United States Inc. v. Mayborn (UK) Ltd.*, No. 21-CV-08444 (JLR), 2023 WL 4993642, at *4 (S.D.N.Y. Aug. 4, 2023) (stay granted where IPR request was made on “the very last day of the statutory period”); *Rovi Guides, Inc.*, 2017 WL 4876305, at *1 (stay granted where petition was filed nearly one year after claim was brought); *ACQIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 359 (D. Mass. 2015) (stay granted where petition was filed eleven months after claim was asserted).

When examining whether a stay may unduly prejudice a patentee, courts have held that a patent licensor such as IBM “cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement.” *Rovi Guides, Inc.*, 2017 WL 4876305, at *5 (stay granted where patentee was “a patent licensor, rather than direct competitor”); *Protegrity Corp. v. Epicor Software Corp.*, 67 F. Supp. 3d 555 (D. Conn. 2014) (stay granted in case involving non-competitors). Courts further “focus on the patentee’s need for an expeditious resolution of its claim,” if any, including any length of time a patentee has delayed in asserting the patent against the stay movant and whether that patent has expired. *See Audio MPEG, Inc.*, 2015 WL 5567085, at *4; *Synkloud Techs., LLC v. Cartessa Aesthetics, LLC*, Civ. No. 21-cv-4423, 2022 WL 1046261, at *5 (E.D.N.Y. Apr. 6, 2022) (plaintiffs’ delay in filing suit negated any prejudice); *Regents of the Univ. of Minn. v. LSI Corp.*, No. 5:18-CV-00821-EJD, 2018 WL 2183274, at *3 (N.D. Cal. May 11, 2018) (staying case pending IPR of expired, 22-year old patent).

To be sure, courts do *not* consider the merits of IPR petitions when evaluating motions to stay. *See Rensselaer Polytechnical Inst. v. Apple Inc.*, No. 1:13-CV-0633(DEP), 2014 WL 201965, at *8 (N.D.N.Y. Jan. 15, 2014) (cited in IBM Initial Oppos. at 2) (there is no “authority . . . that a court, lacking the expertise of the PTO, should examine the strength of a petitioner's claims of invalidity asserted in an IPR petition when addressing a motion to stay.”); *Audio MPEG, Inc.*, 2015 WL 5567085, at *5 (“a district court *should not* consider whether the PTAB will ultimately grant review when deciding a motion to stay.”) (emphasis added); *Weserve Drone, LLC v. Sz Dji Tech. Co.*, No. CV 19-04382 (AB) (AFMx), 2020 WL 4373365, at *3 (C.D. Cal. Mar. 17, 2020) (“declin[ing] to consider the merits of Defendant’s IPR petition” and instead “leaving that task to” PTAB); *cf. VirtualAgility Inc. v. Salesforce.com*, 759 F.3d 1307, 1313 (Fed. Cir. 2014) (noting that “district courts have no role in reviewing [] PTAB[] determinations regarding the patentability of

claims”).

III. ARGUMENT

A. *IPR2025-00564 Will Simplify the Issues in this Action*

The ’719 Patent IPR will simplify the issues in this action because it may moot entirely the need to adjudicate the parties’ respective claims for infringement and invalidity of the ’719 Patent and construction of disputed terms therein—one-third of the subject matter at bench. Even if PTAB does not invalidate all claims of the ’719 Patent, the IPR will still simplify the issues in this action because Carvana has stipulated not to pursue here any ground it raised or reasonably could have raised in an instituted IPR. (*See* Ex. 1, Exhibit 1015 to IPR2025-00564). Thus, if PTAB institutes trial, Carvana will be estopped in this case from presenting the same combinations of invalidating art proposed to PTAB—thereby *decreasing* the number of arguments for adjudication by this Court, rather than “complicating” it—as IBM wrongly contends. (IBM Initial Oppos. at 1). As the court noted in *Rovi Guides, Inc.*:

[A]ny of the conceivable potential outcomes of IPR will lead to a simplification of the present case. If the PTAB . . . cancels all contested claims, it will render 37 of the remaining 51 claims moot. If the PTAB cancels only some of the asserted claims, it will still narrow the issues before this Court Finally, if the PTAB upholds all the patent claims, [the accused infringer] will be estopped from challenging the validity of the claims on any ground that was raised or reasonably could have [been] raised during the IPR proceedings[.]

2017 WL 4876305, at *3; *Assa Abloy AB v. CPC Patent Techs. Pty. Ltd.*, Civ. No. 3:22-cv-00694-MPS (D. Conn.), ECF 55 at 7 (dated Nov. 30, 2022), attached as Ex. 2 (granting stay pre-institution, reasoning that even “if none of the claims in the Patents-in-Suit [we]re ultimately cancelled, the issues . . . would still be simplified because IPRs ‘are guaranteed to finally resolve at least some issues of validity because the requesting party is barred from seeking district court review on any grounds that it could have raised’ during the IPR process.”).

The reasoning of *Rovi Guides* and *Assa Abloy* applies here, as any of the conceivable

outcomes—cancellation of all or any ’719 Patent claims, or estoppel as to arguments raised to PTAB—will simplify this case. Moreover, foregoing a stay while *inter partes* review proceeds in parallel proceedings could moot work performed by this Court, such as construction of disputed terms of the ’719 Patent. *See Longitude Licensing Ltd. v. Apple Inc.*, Civ. No. 14-cv-04275-EDL, 2015 WL 12778777 at *5 (N.D. Cal. Oct. 29, 2015) (granting stay pre-institution, reasoning that if court and PTAB “proceedings proceed[ed] in tandem, the PTAB’s decision on claim validity could ultimately moot some of the work done by the Court”).

While IBM contends a stay will “complicate” this case (IBM Initial Oppos. at 1), it never explains how waiting for PTAB (and the Federal Circuit) to rule on the validity of two of the three patents asserted by IBM in this case could complicate—as opposed to simplify—this case. That is because it will not. IBM’s further suggestion that a stay should not be granted unless Carvana’s IPR will “*eliminate* the need for trial” misstates the governing legal standard, which looks only to whether a stay will “*simplify* the issues in question *and trial* of the case.” *Deckers Outdoor Corp.*, 2024 WL 1077875, at *1 (emphasis added).³

1. Courts Do Not Consider a Petition’s Merits in Evaluating Stay Motions

IBM argues that a stay should be denied because “Carvana’s [IPR] petition is weak and simply rehashes the same prior art . . . and invalidity expert . . . that the jury rejected in finding the ’719 patent valid in *Zynga*[.]” (IBM Initial Oppos. at 1). But as explained more fully below, two of the three references raised in Carvana’s petition were never presented in the *Zynga* case. Moreover, as noted in decisions IBM itself cites, courts do not consider the merits of an IPR petition nor assess its purported strengths or weaknesses when evaluating a motion to stay. *See*

³ IBM casually suggests in its letter opposition that this case is presently “in expert discovery.” *See* Initial Stay Oppos. at 1–2. However, expert discovery has not yet opened and will not until eighty (80) days after the Court issues its *Markman* decision.

Rensselaer Polytechnical Inst., 2014 WL 201965, at *8 (cited in IBM’s Initial Oppos. at 2) (noting that there is “no authority” to suggest “that a court, lacking the expertise of the PTO, should examine the strength of a petitioner’s claims of invalidity asserted in an IPR petition when addressing a motion to stay.”); *Audio MPEG, Inc.*, 2015 WL 5567085, at *5 (noting explicitly that “a district court *should not* consider whether the PTAB will ultimately grant review when deciding a motion to stay”) (emphasis added); *Weserve Drone, LLC*, 2020 WL 4373365, at *3; *cf. VirtualAgility Inc.*, 759 F.3d at 1313 (noting that “district courts have no role in reviewing [] PTAB[] determinations regarding [] patentability of claims”).

2. IBM Ignores the New Prior Art Combinations Raised in Carvana’s Petition

IBM further errs in arguing that Carvana’s IPR petition “simply rehashes the same prior art” already litigated in the *Zynga* case which, IBM claims, “undercuts the prospect of institution.” (IBM Initial Oppos. at 1). As stated above, no Court (nor the PTAB) has reviewed two of the three references asserted in multiple grounds of Carvana’s IPR petition or the unique prior art combinations Carvana presents therein. Carvana’s Fennell and O’Reilly references are **new prior art** that were never presented to the USPTO during prosecution of the ’719 Patent, to the jury in *Zynga* or any other case, or ever charted in invalidity contentions in this case (or any other of which Carvana is aware). Courts have granted stays pending IPRs when, as here, the IPR petition at issue presents new art that has not been previously considered, *see Longitude Licensing Ltd.*, 2015 WL 12778777 at *4, n.3 (limited stay granted where each IPR petition relied “in part on new prior art not previously considered by the PTO”); *Canatelo LLC v. Axis Comms. AB*, Civ. No. 13-1227-GMS, 2014 WL 12774920, at *1, n.3 (D. Del. May 14, 2014) (stay granted where IPR petitions “present[ed] new prior art . . . that was not considered during prosecution”), and PTAB likewise takes note when a petition raises new prior art. *See Dr. Squatch LLC v. The Proctor & Gamble*

Co., No. IPR2024-01498, 2025 Pat. App. LEXIS 1746, at *39 (P.T.A.B. Apr. 11, 2025) (instituting trial where “there [wa]s new, noncumulative prior art asserted in the Petition . . . relied upon by Petitioner . . . to challenge three of the four independent claims.”) Carvana’s presentation of new prior art and new prior art combinations thus weighs *in favor* of a stay.⁴

3. The Short Time Until PTAB’s September 2025 Decision to Institute as to the ’719 Patent or the Federal Circuit Decision as to all ’346 Issues Further Weighs in Favor of a Stay

IBM argues that if the PTAB does not institute trial on the IPR, a stay would result in a “restart” of this case in August 2025. (IBM Initial Oppos. at 1). That is preposterous. The next deadline in this case, service of opening expert reports (*see* ECF 39, at 2, ¶ 7(a)), is not until eighty days (almost *three months*) after the Court issues a *Markman* decision. In other words, even if a *Markman* decision issued this month, opening expert reports could not be served until August 2025, which is scarcely one month before PTAB’s September deadline to decide whether to institute proceeding on the IPR. The benefits that would inure from securing PTAB’s institution decision and the Federal Circuit’s ruling on validity of all claims of IBM’s ’346 Patent outweigh any short delay associated with a stay.⁵ *See Ebates Performance Mktg, Inc. dba Rakuten Rewards v. IBM*, IPR 2022-00646, 2023 Pat. App. LEXIS 3757 (P.T.A.B. Oct. 11, 2023); Appeal Nos. 2024-1170, 2024-1238.

For example, in the ’346 Patent decision on appeal, PTAB found claims 1–4, 12–16, 18 and 19 unpatentable, and remaining claims patentable. While IBM is appealing PTAB’s finding

⁴ IBM provides no support for its claim that Carvana’s IPR petition relates in any manner to the *Zynga* jury verdict, and clearly, it does not. (IBM Initial Oppos. at 3). Indeed, the prior art combinations presented in Carvana’s petition showing invalidity under 35 U.S.C. § 103 were never even raised in the *Zynga* case, nor presented to the *Zynga* jury.

⁵ Claims 1, 12, 13, and 14 of the ’346 Patent were found not patentable by PTAB in the ’346 IPR, but IBM nevertheless asserted them against Carvana in this case.

that certain claims were invalid—Zillow is cross-appealing PTAB’s determination that remaining claims 5–11, 17 and 20 *are* patentable. (See Ex. 5, Zillow Br. in Appeal Nos. 1170 and 1238). Thus, the Federal Circuit appeal could very well dispose of every single claim of the ’346 Patent, mooted any decision this Court makes on construction, invalidity or alleged infringement of any claims in that Patent. Given that such decision could absolve the Court from adjudicating *any* issues associated with the ’346 Patent, IBM is simply wrong to suggest a stay will not simplify any issues concerning the ’346 Patent. (IBM Initial Oppos. at 2 and n.1).⁶

IBM’s related argument that a stay would interrupt the work of this Court (IBM Initial Oppos. at 2) should likewise be rejected because if the Court expends valuable resources drafting a *Markman* opinion involving disputed terms of patent claims that are later confirmed invalid by PTAB and/or the Federal Circuit—the Court’s limited resources will have been wasted.

Moreover, while Carvana’s IPR seeks to invalidate only one of the three Patents-in-suit, a stay is still warranted. This District has confirmed this point in numerous cases. *See, e.g., Deckers Outdoor Corp.*, 2024 WL 1077875, at *1-2 (stay granted where petition addressed only 1 of 4 patents-at-issue); *Nike, Inc.*, 2025 WL 439935, at *3 (reasoning that “if the PTAB were to find even some claims . . . invalid, the decision would provide simplification[]”) (citations omitted). As demonstrated in *Deckers* and *Nike*, elimination of *any* patent claims supplies a valid reason to grant a stay. *Id.* Further, IBM’s cited cases are inapposite. *See* IBM Initial Oppos. at 2, citing *Intell. Ventures II L.L.C. v. JP Morgan Chase & Co.*, No. 1:13-cv-3777 (AKH), 2014 WL 10919562, at *3 (S.D.N.Y. Aug. 11, 2014), *appeal dismissed*, 781 F.3d 1372 (Fed. Cir. 2015); *Chewy, Inc. v. IBM*, No. 21-CV-1319 (JSR), 2021 WL 3727227, at *12 (S.D.N.Y. Aug. 23, 2021). For example,

⁶ While Carvana will not be estopped from arguments presented in the ’346 IPR, *IBM* will be estopped from enforcing any claims the Federal Circuit confirms are invalid against anyone.

in both *Intellectual Ventures* and *Chewy*, the movants for a stay pending IPR ***did not actually file*** the IPR petitions at issue, and thus were not estopped from raising arguments made in those proceedings in the parallel court actions. *See Intell. Ventures II LLC*, 2014 WL 10919562, at *3 (stay movant was non-party to the IPR and not limited by any arguments raised in the IPR) and *Chewy, Inc.*, 2021 WL 3727227, at *12 (same). Contrary to *Intellectual Ventures* and *Chewy*, Carvana ***is*** the petitioner in the IPR and ***will be estopped*** by the arguments and prior art combinations it presents if the '719 IPR is instituted.

B. The Stage of These Proceedings Favors a Stay

This Court has not yet construed disputed claim terms of the Patents-in-suit, no expert reports have been exchanged, nor will expert discovery begin until eighty days after this Court issues a *Markman* order. (ECF 39 at 2 ¶ 7(a)). The Court has not set a trial date. Where, as here, much of the resource-consuming portions of the litigation have yet to occur, district courts consistently grant motions to stay. *See Rovi Guides, Inc.*, 2017 WL 4876305, at *1 (granting stay after close of fact discovery and issuance of *Markman* order);⁷ *Nike, Inc.*, 2025 WL 439935, at *5 (granting stay months after a *Markman* hearing was held); *Prolitec Inc. v. ScentAir Techs., LLC*, No. CV 20-984-WCB, 2023 WL 5037173, at *7 (D. Del. Aug. 8, 2023) (granting stay after fact discovery closed); *British Telcoms. PLC v. IAC/InterActive Corp.*, Civ. No. 18-366-WCB, 2020 WL 5517283 (D. Del. Sept. 11, 2020) (same). As the Court in *Rovi Guides, Inc.* aptly recognized, any “sunk costs” already spent on discovery were outweighed by the significant efficiency benefits that could inure from a stay:

[T]he time and effort spent on discovery to this point is a sunk cost. Were the case

⁷ To the extent IBM challenged cases cited by Carvana in ECF 142 on the ground that fact discovery had not closed in those cases (IBM Initial Oppos. at 3 n.2), *Rovi Guides v. Comcast* demonstrates that stays can and should be entered even where fact discovery has closed. *See Rovi Guides, Inc.*, 2017 WL 4876305, at *3.

to go forward before IPR is complete (and its concomitant streamlining benefits realized), the resources of the Court and the parties would undoubtedly be wasted on voluminous (and perhaps ultimately unnecessary) summary judgment and *Daubert* briefing, motions *in limine*, and perhaps even trial. Under similar circumstances, courts have seen fit to stay litigation pending IPR, despite the advanced stage of litigation, in order to promote judicial economy . . . [i]n short, the efficiency benefits outweigh the costs, sunk or otherwise, of granting a stay under the circumstances.

Id. at *5. Moreover, courts accord the stage of the proceedings factor less weight where, as here, the other factors—simplification of the issues or benefit from PTAB’s input—favor a stay. *See, e.g. In re Viasat, Inc.*, No. 2025-110, 2025 WL 227592, at *1 (Fed. Cir. Jan. 17, 2025) (declining to disturb stay pending IPR entered *sua sponte* approximately two weeks before trial, “giving significant weight to its finding that a stay could simplify the issues”); *Ultratec, Inc. v. CaptionCall, LLC*, 611 F. App’x 720, 721 (Fed. Cir. 2015) (denying writ of mandamus with respect to stay entered after jury verdict and filing of post-verdict motions where the district court concluded that a stay “would provide important guidance from the patent office, simplify the case . . . and prevent inconsistent results between *inter partes* review and th[e] litigation.”)

In its initial letter opposition, IBM cites inapplicable cases on this factor. (IBM Initial Oppos. at 1–3). For example, courts in this District have acknowledged that the rationale in the ten-year-old *Kiss Nail Products* decision, disfavoring pre-institution stays, is not the majority view in SDNY. *See Package Apparel, Inc. v. Tommy John, Inc.*, No. 24-CV-6371 (LJL), 2024 WL 4117200, at *4 (S.D.N.Y. Sept. 9, 2024) (noting that while some courts have concluded “that the factors relevant to a stay analysis cannot be meaningfully addressed until the PTO determines whether to institute an IPR . . . that view does not appear to be the majority position in this Circuit.”); *OV Loop, Inc. v. Mastercard Inc.*, No. 23-CV-1773 (CS), 2023 WL 7905690, at *4, n. 5 (S.D.N.Y. Nov. 16, 2023) (“OV Loop cites to several decisions outside of the Second Circuit for the proposition that a stay should not be granted if IPR is not yet instituted . . . [t]hese nonbinding

decisions do not persuade me, given the more recent trend by courts within the Second Circuit.”).

IBM also omits the fact that the parties in *Kiss Nail* ultimately entered a stipulation to stay the case following the court’s initial denial. *See Kiss Nail Prods., Inc. v. Tianjin Shuangrong Paper Prods. Co. Ltd. et al.*, Civ. No. 1:15-cv-06019 (KPF), ECF 68 (June 29, 2016), attached as Ex. 3.

IBM’s other authority fares no better. *Grecia v. MasterCard* is plainly distinguishable from these circumstances. (See IBM Initial Oppos. at 1, citing Nos. 16-cv-9691 (RJS), 15-cv-9059 (RJS), 15-cv-9210 (RJS), 2017 WL 1156696955 (S.D.N.Y. Apr. 3, 2017)). In *Grecia*, the court found the patentee would be prejudiced by a stay because “his cases ha[d] already been stayed once—for nearly eleven months—during the previous round of IPR proceedings, which ultimately resolved nothing.” 2017 WL 11566955, at *3. Here, Carvana’s motion is the first request for a stay in this case after an unsuccessful mediation, and there have been no prior IPR proceedings on the ’719 Patent.

C. A Stay Will Not Unduly Prejudice IBM

Finally, IBM cannot satisfy its burden to show undue prejudice from a stay. Its own eleven-year delay⁸ in asserting the expired ’719 Patent against Carvana’s website speaks volumes, as does its failure to seek a preliminary injunction in this case. The ’719 Patent has expired and no damages can accrue during any court-entered stay. Regardless, IBM and Carvana do not directly compete, and IBM is acting as a patent enforcement entity here seeking money, or “licensor” to put it charitably, and thus no need exists for an “expeditious resolution.”

⁸ The Court may take judicial notice of SEC filings, which show Carvana’s public announcements of the January 2013 launch of its accused website. (Ex. 4 at CARVANA0015880, CARVANA0015886); *see In re Appharvest Sec. Litig.*, 684 F. Supp. 3d 201, 239 (S.D.N.Y. July 31, 2023) (courts may take judicial notice of documents filed with the SEC “to establish that the matters ha[ve] been publicly asserted”).

1. IBM’s Eleven-Year Delay in Asserting the ’719 Patent and Failure to Seek Preliminary Injunctive Relief Belies Any Possible Claim of Prejudice

The court should enter a stay in this case because IBM cannot meet its burden to show undue prejudice. When examining whether a patentee will be unduly prejudiced by a stay, courts “focus on the patentee’s need for an expeditious resolution of its claim”. *Audio MPEG, Inc.*, 2015 WL 5567085, at *4; *Syncloud Techs., LLC*, 2022 WL 1046261, at *5; *Protegrity Corp.*, 67 F. Supp. 3d at 567. Here no such need exists.

To begin, Carvana launched the accused carvana.com website in 2013, yet IBM delayed *eleven years* (until April 2024) to assert the ’719 Patent against Carvana. Likewise, IBM inexcusably delayed in asserting the other two Patents-in-suit as well—the ’234 Patent issued on June 2, 2009 and the ’346 Patent issued on December 8, 2009. This delay in asserting all three Patents-in-suit negates any possible claim of undue prejudice. *See Syncloud Techs., LLC*, 2022 WL 1046261, at *5 (plaintiffs’ three-and-a-half-year delay in filing suit “cut[] against their claim that they would be unduly prejudiced by a stay.”); *Audio MPEG, Inc.*, 2015 WL 5567085, at *5 (finding patentee’s delay of over six years to file suit for alleged infringement “weaken[ed] its cries for an expeditious resolution now” and that a stay “w[ould] not unduly prejudice plaintiffs, who waited years before filing suit” for infringement of expired patent claims); *OV Loop, Inc.*, 2023 WL 7905690, at *7 (granting stay pre-institution, and noting patentee delayed “more than four years” to file the infringement claim); *Nike, Inc.*, 2025 WL 439935 (granting stay, noting three-year delay in asserting infringement claim). Given IBM’s eleven-year delay in asserting this patent and failure to identify it during the parties’ extensive pre-suit communications beginning in 2020 (Exhibit 6, D.I. 12 ¶ 18)—IBM should not be heard now to complain that a stay will delay adjudication of its claims. *Syncloud Techs., LLC*, 2022 WL 1046261, at *5; *Audio MPEG, Inc.*, 2015 WL 5567085, at *5.

Under governing authority, IBM’s failure to seek a preliminary injunction in this case further contradicts any claim of prejudice. *See VirtualAgility Inc.*, 759 F.3d at 1319 (“the fact that it was not worth the expense to ask for [a preliminary injunction] contradicts VA’s assertion that it needs injunctive relief as soon as possible.”); *Ultratec, Inc.*, 611 F. App’x at 723 (refusing to lift stay and finding significant the fact that “at no time prior to the jury’s verdict did Petitioners seek to enjoin Respondents from the market[]”); *OV Loop, Inc.*, 2023 WL 7905690, at *7 (failure to seek injunction gives reduced weight to any claimed prejudice).

2. The Timing of Carvana’s IPR Petition and Present Motion Favor a Stay

Carvana filed this lawsuit on September 29, 2023 after IBM threatened Carvana for three years with imminent litigation over the highly contested U.S. Patent No. 7,072,849 (“the ’849 Patent”). During that time, IBM never asserted (or even mentioned) the ’719 Patent despite its issuance in April 2010, over a decade earlier. (ECF 63). Shortly after IBM’s abrupt withdrawal of the ’849 Patent from this case, IBM substituted the ’719 Patent on April 3, 2024. Carvana filed a counterclaim for invalidity on April 17, 2024 and informed the Court later that month that IBM’s late assertion of a new patent required an extension of the schedule and new discovery. (ECF 68, 69).

At all times, however, Carvana acted diligently in response to IBM’s late assertion of the expired ’719 Patent: Carvana served its ’719 invalidity contentions in July 2024 (just six months before pursuing the ’719 IPR), took the depositions of the ’719 inventors in August 2024, and after an in-person mediation failed in December 2024, filed its IPR petition a month later, in January 2025, just nine months after IBM suddenly asserted the ’719 Patent in this case. (ECF 142). These are not the actions of a party dragging its feet. And of note, it would have wasted significant party resources to initiate a new proceeding in PTAB if the December 2024 mediation had been

successful—especially over a twenty-five-year-old patent that expired in 2022. *See Regents of the Univ. of Minn.*, 2018 WL 2183274, at *3 (staying case pending IPR of expired patent, noting twenty-two-year age of the patent in question).

And the authority is legion that any delay associated with an IPR does not amount to prejudice. *See Rovi Guides, Inc.*, 2017 WL 4876305, at *4 (delay alone “does not establish undue prejudice.”); *Longitude Licensing Ltd.*, 2015 WL 12778777, at *6 (same); *Wonderland Nurserygoods Co. v. Baby Trend, Inc.*, No. EDCV 14-01153-VAP, 2015 WL 1809309, at *4 (C.D. Cal. Apr. 20, 2015) (noting that the “general prejudice of having to wait for resolution is not a persuasive reason to deny [a] motion for stay.”)

Contrary to IBM’s suggestion otherwise (IBM Initial Oppos. at 3), courts have repeatedly issued stays based on petitions filed at or close to the one-year statutory deadline for doing so. *See Molo Design, Ltd.*, 2022 WL 2135628, at *3 (stay entered where petition was filed nearly 1 year after complaint was filed); *Nanobebe United States Inc.*, 2023 WL 4993642, at *4 (action stayed based on IPR request made on “the very last day of the statutory period”); *Rovi Guides, Inc.*, 2017 WL 4876305, at *1 (issuing stay nearly one year after claim was asserted); *ACQIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 359 (D. Mass. 2015) (stay granted where petition was filed eleven months after claim was asserted).

3. The Status of the IPR Favors a Stay

PTAB will issue a decision on whether to institute proceedings on the IPR in September 2025—just four months from now. Courts have granted stays in cases presenting similar facts. *See Package Apparel, Inc.*, 2024 WL 4117200, at *4 (granting pre-institution stay, reasoning that stay of over four months “would be relatively short”); *OV Loop, Inc.*, 2023 WL 7905690, at *7 (granting pre-institution stay, finding that “four-month delay” would not cause plaintiff irreparable

harm). Additionally, IBM's argument that a stay will cause "an abrupt halt" to this case (IBM Initial Oppos. at 2) is nothing more than dramatic hand-waiving. There is no current activity in the case that would be halted by a stay, only *Markman* considerations that will be benefited by PTAB's consideration of the same terms and their validity.

4. IBM's Status as a Patent Licensor, the Absence of Direct Competition and Expiration of the '719 Patent all Favor a Stay

While "competition between parties can weigh in favor of finding undue prejudice[.]" *Protegrity Corp.*, 67 F. Supp. 3d at 567, Carvana and IBM do not compete with respect to any of the Patents-in-suit (or otherwise). This favors a stay. *See Wiesel v. Apple, Inc.*, Civ. No. 19-CV-7261(JMA)(JMW), 2021 WL 5038764, at *4 (E.D.N.Y. Oct. 29, 2021) (in case involving non-competitors, finding that a stay pending reexamination would "not diminish the monetary damages that Dr. Wiesel [could] recover in th[e] lawsuit, [but] only delay[] realization of those damages") (citations omitted); *Evolutionary Intelligence LLC v. Yelp, Inc.*, No. C-13-03587 DMR, 2013 WL 6672451, at *8 (N.D. Cal. Dec. 18, 2013) (where "parties are not competitors . . . the plaintiff does not risk irreparable harm by [a] defendant's continued use of the accused technology and can be fully restored to the *status quo ante* with monetary relief"); *Longitude Licensing Ltd.*, 2015 WL 12778777, at *6 ("where parties are not competitors there is no irreparable harm from continued use of accused technology") (citations omitted).⁹ What's more, courts have held that a patent licensor "cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement." *Rovi Guides, Inc.*, 2017 WL 4876305, at *5 (stay granted where patentee was "a patent licensor, rather than direct competitor"). Here, IBM seeks money damages on an expired patent that cannot have been infringed after 2022. Its damages, if any, provide adequate redress

⁹ IBM's reliance on *Kiss Nail* and *Grecia* is misplaced; in both cases, the parties were direct or potential direct competitors, unlike Carvana and IBM here.

for any purported infringement.

The 2022 expiration of the '719 Patent further weighs against any claim of prejudice. As the court in *Regents of the Univ. of Minn. v. LSI Corp.* aptly reasoned about a stay in connection with the expired patent in that case:

Whether or not this case is stayed, the University will eventually be able to seek this recovery and eventually be made whole . . . In addition, the risk of 'fading memories' and 'loss of documentation' seems low. The '601 patent is 22 years old—if any evidence has been lost, it[] seems likely that this has already happened. The risk of an additional loss of evidence that could be incurred by staying this case seems minimal. Thus, a stay would not unduly prejudice the University. The Court also discerns no clear tactical disadvantage that the University would incur if this case was stayed—whether it happens now or in 1-2 years, the University will have the opportunity to adjudicate its claims.

2018 WL 2183274, at *3; *see also Straight Path IP Grp. v. Verizon Communs., Inc.*, No. 16-CV-4236 (AJN), 2016 WL 6094114, at *3 (S.D.N.Y. Oct. 18, 2016) (noting that expiration of several "Patents-in-Suit . . . further underscores that 'monetary damages will be sufficient to compensate [Straight Path] for any infringement' and belies its assertion of any ongoing harm to its business interests."); *Audio MPEG, Inc.*, 2015 WL 5567085, at *5 (ruling that because patents had expired, monetary damages would "be sufficient to compensate Plaintiffs for any infringement"); *Sorensen v. Lexar Media, Inc.*, No. C 08-00095 JW, 2009 WL 10695750, at * 2 (N.D. Cal. Feb. 25, 2009) ("[G]iven that the '184 patent . . . expired . . . damages will not continue to accrue during the period the stay is in place.")¹⁰

In its letter brief, IBM vaguely suggests a stay would "undermin[e] IBM's licensing efforts." (Initial Stay Oppos. at 3). That's a stretch because the IPR at issue is a good faith effort

¹⁰ Because the '719 Patent expired in 2022, *Prestige Jewelry Int'l, Inc. v. BK Jewellery HK*, 11 Civ. 2930 (LBS), 2012 U.S. Dist. LEXIS 63850 (S.D.N.Y. Mar. 27, 2012), *reconsid. denied*, 2012 U.S. Dist. LEXIS 98638 (S.D.N.Y. July 13, 2012) (cited in IBM Initial Oppos. at 3) involving reexamination of a patent with more than a decade of patent life remaining—is distinguishable.

to question the validity of a questionable patent that was not previously raised by IBM in its “licensing efforts” against Carvana, and regardless, IBM can hardly pursue licensing of the currently expired ’719 Patent. *See Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964); *Novartis Pharma AG v. Incyte Corp.*, No. 1:20-CV-400-GHW, 2025 WL 1030018, at *5 (S.D.N.Y. Apr. 6, 2025).¹¹ Nor can the purported “disparage[ment of] IBM’s licensing practices and [] patent portfolio” or “harm” to IBM’s purported “good name” support a finding of prejudice. (IBM Initial Oppos. at 3). IBM of course cites no authority for this baseless argument, and in any event, it falls of its own weight.¹²

Lastly, IBM contends that a stay would cause IBM to lose the benefit promised to federal court litigants in Federal Rule of Civil Procedure 1 of a “just, speedy, and inexpensive determination of every action and proceeding.” (IBM Initial Oppos. at 3). Yet district courts have repeatedly granted stays pending *inter partes* review while directly acknowledging this rule. *See Package Apparel, Inc.*, 2024 WL 4117200, at *4; *see also Lexos Media IP LLC v. MSC Indus. Direct Co.*, No. 3:22-CV-1736-X, 2023 WL 11967299, at *3 (N.D. Tex. Sept. 6, 2023) (noting that while “the Court has an obligation . . . to construe, administer, and employ the Federal Rules of Civil Procedure ‘to secure the just, speedy, and inexpensive determination of every action[,]’ [] ‘a delay caused by the *inter partes* review process, without more, does not justify denial of a stay.’”). Thus, a stay would not abrogate any rights accorded to IBM under Federal Rule of Civil

¹¹ To the extent IBM argues that non-party licensees of other Patents-in-suit would be harmed by a stay, courts have found any such harm “irrelevant to th[e] factor” of undue prejudice. *See, e.g., Evolutionary Intel., LLC v. Facebook, Inc.*, No. C 13-4202 SI, 2014 WL 261837, at *3 (N.D. Cal. Jan. 23, 2014).

¹² IBM’s challenge to certain cases cited by Carvana on the ground that they were not declaratory judgment actions fails (IBM Initial Oppos. at 3, citing ECF 142), as stays are entered in declaratory judgment actions as well. *See, e.g., Ex. 2, Assa Abloy AB*, Docket Entry 55 (stay entered in declaratory judgment action); *Nespresso USA, Inc. v. K-Fee Sys.*, No. CV 22-9295-GW-AGRX, 2024 WL 650431 (C.D. Cal. Jan. 16, 2024) (same).

Procedure 1. Where, as here, “expert discovery is yet to be done, summary judgment and *Daubert* motions are anticipated, and a trial date has not been set yet[,]” courts grant requests for stays. *Nanobebe United States Inc.*, 2023 WL 4993642, at *4 (stay granted in case where, like this one, no trial date had been set); *Molo Design, Ltd.*, 2022 WL 2135628, at *4 (stay granted where “expert reports ha[d] not been served, and the parties ha[d] yet to engage in related expert discovery.”); *Deckers Outdoor Corp.*, 2024 WL 1077875, at *2 (stay granted where expert discovery had not begun).

D. The March 26, 2025 Memorandum from USPTO Acting Director Stewart Does Not Warrant Denial of a Stay

Carvana anticipates that IBM will rely on a recent memorandum issued by USPTO Acting Director Coke Morgan Stewart to suggest interim procedures may result in discretionary denial of the IPR to argue a stay should not be entered. *See* “Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation,” available at <https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf> (the “Memorandum”). This argument is inappropriate and should not be given weight.

First, predicting PTAB’s decision as to the subject IPR is not an appropriate consideration on this motion. *Audio MPEG, Inc.*, 2015 WL 5567085, at *5. So whether by virtue of the Director exercising her discretion under the interim procedures or PTAB considering the Carvana IPR Petition on the merits, the point of the requested stay is to let PTAB do its work. Just as before the interim procedures, decisions issued after the Memorandum show institution of IPR proceedings where, *as here*, the petitioner raises new prior art and a trial date has yet to have been set. *See, e.g., Dr. Squatch LLC*, 2025 Pat. App. LEXIS 1746, at *39 (instituting proceedings where “new, noncumulative prior art [was] asserted in the Petition”); *Klein Tools, Inc. v. Milwaukee Elec. Tool*

Corp., No. IPR2024-01400, 2025 Pat. App. LEXIS 1693, at *78 (P.T.A.B. Apr. 8, 2025) (same); *Bio-Rad Labs, Inc., v. Cal. Inst. of Tech.*, IPR2024-01451, 2025 Pat. App. LEXIS 1451, at *8 (P.T.A.B. Mar. 27, 2025) (IPR instituted where no trial date had been set in parallel court action).

IV. CONCLUSION

A stay is warranted given PTAB's (and the Federal Circuit's) expertise in review of two of the three Patents-in-suit will simplify the issues, conserve this Court's resources and potentially moot several claims and counterclaims in this case. IBM cannot establish undue prejudice given it is not a competitor to Carvana and seeks only monetary relief. In just four months, the parties will know whether PTAB will take up review of the '719 IPR. The parties and the Court will also know within the stay how the Federal Circuit will rule on the validity of all claims in the '346 Patent. Judicial economy is well served by awaiting these important outcomes.

Carvana respectfully requests the Court stay this action pending resolution of the '719 IPR, or in the alternative, stay this action at least with respect to the '719 Patent pending the IPR results.

Dated: May 7, 2025

Respectfully submitted,

/s/ Brian W. LaCorte

Brian W. LaCorte (*pro hac vice*)

Mitchell L. Turbenson (*pro hac vice*)

Andrew Hensley (*pro hac vice*)

BALLARD SPAHR LLP

1 E. Washington Street, Suite 2300

Phoenix, AZ 85022

Tel: 602-798-5400

Fax: 602-798-5595

lacorteb@ballardspahr.com

turbensonm@ballardspahr.com

hensleyd@ballardspahr.com

Wendy R. Stein
BALLARD SPAHR LLP
1675 Broadway, 19th Floor
New York, NY 10019-5820
Tel: 646-346-8078
Fax: 212-223-1942
steinw@ballardspahr.com

Marc S. Segal (*pro hac vice*)
Doyle S. Tuveson (*pro hac vice*)
BALLARD SPAHR LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
Tel: 215-864-8152
Fax: 215-864-8999
segalm@ballardspahr.com
tuvesond@ballardspahr.com

Counsel for Plaintiff Carvana, LLC

CERTIFICATE OF SERVICE

I hereby certify that that on May 7, 2025, a true and correct copy of the foregoing PLAINTIFF AND COUNTERCLAIM DEFENDANT CARVANA LLC'S MOTION TO STAY PENDING *INTER PARTES* REVIEW was served via ECF to the following counsel of record for Defendant International Business Machines Corporation:

Tamir Packin
Karim Z. Oussayef
William N. Yau
Michael Hilyard
Lindsey Miller
Jordan Malz
Asim Zaidi
DESMARAIS LLP
230 Park Avenue
New York, NY 10169
Tel: 212-351-3400
Fax: 212-351-3401
tpackin@desmaraisllp.com
koussayef@desmaraisllp.com
wyau@desmaraisllp.com
mhilyard@desmaraisllp.com
lmiller@desmaraisllp.com
jmalz@desmaraisllp.com
azaidi@desmaraisllp.com

Attorneys for Defendant International Business Machines Corporation

By: /s/ Tasha Hart

CERTIFICATION OF COMPLIANCE

Pursuant to S.D.N.Y. Local Rule 7.1(c) and Rule 2.B of the Individual Practices of Judge Kenneth M. Karas, the undersigned attorney hereby certifies that (i) the foregoing Memorandum complies with the formatting requirements set forth in S.D.N.Y. Local Rule 7.1(c) and Individual Rule 2.B, and (ii) the total number of words in the foregoing Memorandum, inclusive of point headings and footnotes and exclusive of the cover page, table of contents, table of authorities, signature blocks, certificate of service, and this certificate of compliance, is 7,275 according to the word-processing software used to prepare this Memorandum.

By: /s/ Andrew Hensley